

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 6083

BILL NUMBER: HB 1098

DATE PREPARED: Oct 23, 1998

BILL AMENDED:

SUBJECT: Pilot program for collection of child support.

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FUNDS AFFECTED: X GENERAL
DEDICATED
X FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill requires the Child Support Bureau to do the following: (1) Establish a pilot program in Lake County that allows a private organization to assist in collecting delinquent child support obligations. (2) Use guidelines established for state agency contracts to enter into a contract with a private organization to carry out the pilot program. (3) Pay the private organization a contingency fee not to exceed 25% of the total amount collected by the private organization during each quarter. (4) Report to the Legislative Council regarding the results of the pilot program.

Effective Date: July 1, 1999.

Explanation of State Expenditures: County prosecutors are currently reimbursed 4.5% of their cost of collecting unpaid child support under the federal Title IV-D program. The Title IV-D program shares the cost of reimbursement between the federal and state government at a 66% federal and 34% state share.

This bill would allow the state to enter into a contract with a private collection agency to recover child support payments in Lake County with a fee of up to 25% of the child support collected. If the contract reimburses the private agency at the maximum rate of 25%, the state share of the collection costs would be 8.5% (34% of the 25% reimbursement rate) which is higher than the current state share of 1.5% (34% of the 4.5% reimbursement rate). The amount of uncollected child support in Lake County is unknown.

This bill has the potential to increase the amount of child support collected. If the collection agency is more successful than the current system in collecting child support, the increase in collections may offset the increased cost of collection.

This bill states that the cost of collection under contract with a private agency can be paid from the Child Support Enforcement Revolving Fund. Currently, there are no funds in this account.

To the extent that child support payments are increased at certain marginal levels of income, some custodial families may be prevented from going on the AFDC program or may be aided in coming off the AFDC program. The AFDC program is a cost shared program with the federal share being approximately 63%, the state share being 22% and the local share being about 15%. AFDC eligibility also guarantees eligibility for Medicaid (shared 61.01% by the federal government and 38.99% by the state).

Explanation of State Revenues: To the extent that these actions lead to increased recovery of child support payments by the state when payments have been assigned to the state by application for assistance under TANF, there could be a positive impact on federal, state, and local governments.

Explanation of Local Expenditures: See State Expenditures.

Explanation of Local Revenues: See State Revenues.

State Agencies Affected: Family and Social Services Administration.

Local Agencies Affected: Lake County Prosecutor.

Information Sources: